



SAMPLE COMMUNITY ACTION AGENCY

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 2008

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
Auditor of State





OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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David A. Vaudt, CPA
Auditor of State

Fellow CPAs:

This sample report is presented by the Office of Auditor of State as required by Chapter 216A.98 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of community action agencies should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the Single Audit Act Amendments of 1996 and Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Chapter 11.6 of the Code of Iowa requires a review of internal control and testing of transactions for compliance.

This sample report has been prepared in conformity with U.S. generally accepted accounting principles as set forth in the AICPA Industry Audit and Accounting Guide, Not-For-Profit Organizations. The format shows the financial statements, supplementary information and reports on compliance and internal control which are necessary to meet the requirements of this office. The detail presented in the financial statements and supplemental information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the agency feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

Depreciation expense has been recognized in these financial statements as recommended by the Industry Audit and Accounting Guide and as required by Financial Accounting Standards Board Statement Number 93.

Entities with \$500,000 or more of federal expenditures are required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Any questions concerning Single Audit requirements should be directed to the Agency's cognizant or oversight agency.

In accordance with OMB Circular A-133, one copy of the reporting package and Data Collection Form shall be submitted within 30 days after issuance of the audit report to a central clearinghouse. The Data Collection Form is available by calling 1-800-253-0696 (Form number SF-SAC) or on the Federal Audit Clearinghouse (FAC) website at <http://harvester.census.gov/sac>. Auditees are encouraged to use the on-line Internet submission option available on the FAC website. Submission of the on-line Internet Form SF-SAC will require the user to submit a hard copy of the final form with the auditee and auditor signatures. In addition, reporting packages or notifications of audit should be submitted to grantor pass-through entities in accordance with the filing requirements of the Circular.

The Office of Management and Budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. Reporting packages should be submitted to:

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

Reports, including the management letter(s) if issued separately, are to be filed with our office within nine months following the end of the fiscal year subject to audit. However, reports should be filed with this office upon release to the agency. The per diem audit billing (including fee, expenses and hours) should be submitted with the reports filed with our office.

Public access to reports issued by the Auditor of State and by CPA firms will be available through the internet. To allow this, you should submit an electronic copy of each FY2008 audit report, in PDF format, to our office in addition to the two paper copies submitted. The PDF files should be e-mailed to submitreports@auditor.state.ia.us. If you are unable to e-mail the file, you may mail a CD containing the PDF file to our office. You may direct any questions about submitting the electronic copy of the audit reports to the above e-mail address.

In accordance with Chapter 216A.98 of the Code of Iowa, a copy of the report should also be filed with the Iowa Department of Human Rights, Division of Community Action Agencies, Lucas Building, 321 East 12th Street, Des Moines, Iowa 50319.

As required by Chapter 11 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the community action agency for the notification. We have developed a standard news release to be used for this purpose. The news release may be completed by the entity and a copy should be sent to this office with the two copies of the audit report sent by the CPA firm. We will make a copy of the audit report and news release available to the news media in this office.

In accordance with Chapter 11 of the Code of Iowa, this office is to be notified immediately regarding any suspected embezzlement or theft.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments and related entities. Together, we are able to provide a significant benefit to all taxpayers in the state.

DAVID A. VAUDT, CPA
Auditor of State

Sample Community Action Agency

Outline of Major Changes

No major changes.

Additional Notes

1. Attached is a sample Corrective Action Plan for Federal Audit Findings (See **Sample A**) and a Summary Schedule of Prior Federal Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not required to be bound in the regular audit or filed with our office.
2. The attached sample Corrective Action Plan refers the user to the entity's response to the auditor's comment for the detailed corrective action planned. If the entity's response to the auditor's comment does not include the details of their planned corrective action, this information should be included in the Corrective Action Plan itself.

Sample A**Additional Notes (continued)**

Sample Entity

Corrective Action Plan for Federal Audit Findings

Year Ended September 30, 2008

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
III-A-08	Unsupported Expenditures	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Tom Claim, Sample Entity Administrator, (515) YYY-XXXX	Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Department of Economic Development on October 13, 2008.
III-B-08	Segregation of Duties over Federal Revenues	The corrective action plan was documented in our response to the auditor's comment. See the Schedule of Findings and Questioned Costs.	Julie Ledger, Sample Entity Treasurer, (515) YYY-XXXX	October 29, 2008
III-B-08	Financial Reporting	As noted in our response to the auditor's comment, we have implemented an independent review process which requires review by the Sample Entity Program Director, effective immediately. In addition, beginning with the March, 2009 quarterly report, we will submit federal financial reports within the required time frame.	Joe Smith, Program Director, (515) YYY-XXXX	Review procedures have been implemented. Timely report filing will begin with the quarter ending March, 2009.

Additional Notes (continued)**Sample B**

Sample Entity

Summary Schedule of Prior Federal Audit Findings

Year ended September 30, 2008

Comment Reference	Comment Title	Status	If not corrected, provide planned corrective action or other explanation
III-C-05 III-B-06 III-B-07	Minority Business Enterprise/ Women Business Enterprise (MBE/WBE)	No longer valid; does not warrant further action.	Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding nor has a management decision been issued on their part.
III-A-06 III-A-07	Segregation of Duties over Federal Reserves	Not corrected.	Plan to segregate duties for custody, recordkeeping and reconciling among Sample Entity staff.
III-C-06 III-C-07	Fixed Assets	Corrective action taken.	
III-D-07	Financial Reporting	Partially corrected.	Review procedures have been implemented. Timely report filing will begin with the quarter ending March, 2009.



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NEWS RELEASE

FOR RELEASE _____ Contact: _____

Auditor of State David A. Vaudt today released an audit report on Sample Community Action Agency, Anywhere, Iowa.

The Agency had revenues of \$_____ for the year ended September 30, 2008 which was a(n) ____ increase (decrease) from the prior year. Support included \$_____ from governmental funding sources, \$_____ from in-kind contributions and \$_____ from other sources.

Expenses for the Agency totaled \$_____, a(n) ____ percent increase (decrease) from the prior year. Programs administered by the Agency include \$_____ for ____a____, \$_____ for ____b____ and \$_____ for ____c____. (a,b,c - program categories with the three highest expense totals.)

The significant increase (decrease) in revenues and expenses is due primarily to _____.

A copy of the audit report is available for review in the Agency's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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SAMPLE COMMUNITY ACTION AGENCY

**INDEPENDENT AUDITOR'S REPORTS
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

SEPTEMBER 30, 2008

Table of Contents

	<u>Page</u>
Board of Directors	3
Independent Auditor's Report	5
Financial Statements:	<u>Exhibit</u>
Statement of Financial Position – All Funds	A 8
Statement of Activities – All Funds	B 9
Statement of Functional Expenses – Administrative Fund and Program Funds	C 10
Statement of Cash Flows	D 11
Notes to Financial Statements	12-16
Supplementary Information:	<u>Schedule</u>
Schedule of Financial Position – Program Funds	1 18-19
Schedule of Activities – Program Funds	2 20-21
Schedule of Expenditures of Federal Awards	3 22
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	23-24
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	27-28
Schedule of Findings and Questioned Costs	29-34
Staff	35

Sample Community Action Agency

Board of Directors

Executive Board of Directors

Arthur B. Clapsdale	President
Darlene E. Fox	Vice-President
Georgia H. Isaacs	Secretary
John K. Lloyd	Treasurer

Board Members

County	Representing		
	Government	Low-Income	Private
Alpha	Mark N. Oberly	Paula Q. Reems	John K. Lloyd
Beta	Steve T. Uber	Georgia H. Isaacs	Victoria W. Yates
Epsilon	Darlene E. Fox	Adam B. Cooper	Diana E. Flint
Omega	Gilbert H. Ibsen	Joan K. Lange	Arthur B. Clapsdale

Agency Officials

Marlon N. Page	Executive Director
Ruth Q. Stevens	Fiscal Director

Sample Community Action Agency



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STATE OF IOWA

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Independent Auditor's Report

To the Board of Directors of
Sample Community Action Agency:

We have audited the accompanying statement of financial position of Sample Community Action Agency as of September 30, 2008 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Sample Community Action Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Community Action Agency at September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2008 on our consideration of Sample Community Action Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

November 17, 2008

Sample Community Action Agency

Financial Statements

Sample Community Action Agency

Statement of Financial Position
All Funds

September 30, 2008

	Admin- istrative Fund	Program Funds	Plant Fund	Total
Assets				
Cash and cash equivalents	\$ 247,645	172,453	1,720	421,818
Receivables:				
Grantor agencies	-	108,096	-	108,096
Other sources	16,783	1,321	-	18,104
Other funds	9,079	-	-	9,079
Inventory	-	21,644	-	21,644
Property and equipment at cost, less accumulated depreciation of \$144,482 (note 2)	-	-	64,785	64,785
Total assets	\$ 273,507	303,514	66,505	643,526
Liabilities and Net Assets				
Liabilities:				
Payables:				
Accounts	\$ 1,428	126,967	1,720	130,115
Grantor agencies	-	6,925	-	6,925
Salaries and benefits	16,252	47,948	-	64,200
Other funds	-	9,079	-	9,079
Deferred revenue	-	112,595	-	112,595
Compensated absences	50,231	-	-	50,231
Total liabilities	67,911	303,514	1,720	373,145
Net assets:				
Unrestricted	205,596	-	64,785	270,381
Total liabilities and net assets	\$ 273,507	303,514	66,505	643,526

See notes to financial statements.

Sample Community Action Agency

Statement of Activities
All Funds

Year ended September 30, 2008

	Admin- istrative Fund	Program Funds	Plant Fund	Total
Revenues:				
Governmental funding sources:				
Iowa Department of Human Rights	\$ -	2,434,777	-	2,434,777
U.S. Department of Health and Human Services	-	532,522	-	532,522
Iowa Department of Public Health	-	155,952	-	155,952
Iowa Department of Education	-	211,304	-	211,304
In-kind contributions	-	150,681	-	150,681
Public support and donations	19,322	-	-	19,322
Interest income	25,157	-	-	25,157
Investment in plant	-	-	35,054	35,054
Miscellaneous	13,179	4,010	-	17,189
Total revenues	57,658	3,489,246	35,054	3,581,958
Expenses:				
Community Services Block Grant (CSBG)	-	309,522	-	309,522
Low Income Home Energy Assistance Program (LIHEAP)	-	1,611,985	-	1,611,985
Head Start	-	687,148	-	687,148
Weatherization Assistance for Low-Income Persons	-	493,270	-	493,270
Child and Adult Care Food Program	-	211,369	-	211,369
Women, Infants and Children (WIC)	-	155,952	-	155,952
Emergency Community Services for the Homeless	-	20,000	-	20,000
Administration	28,729	-	-	28,729
Depreciation	-	-	23,966	23,966
Disposal of assets	-	-	6,008	6,008
Total expenses	28,729	3,489,246	29,974	3,547,949
Change in net assets	28,929	-	5,080	34,009
Net assets beginning of year	176,667	-	59,705	236,372
Net assets end of year	\$ 205,596	-	64,785	270,381

See notes to financial statements.

Exhibit C

Sample Community Action Agency
Statement of Functional Expenses
Administrative Fund and Program Funds

Year ended September 30, 2008

	Admin- istrative Fund	Program Funds	Total
Salaries	\$ 153,217	550,451	703,668
Benefits and taxes	35,367	125,391	160,758
Assistance to individuals	-	1,849,493	1,849,493
Professional fees and contractual services	1,856	173,730	175,586
Travel	12,165	36,096	48,261
Occupancy	9,808	135,791	145,599
Utilities and telephone	6,672	20,379	27,051
Supplies and materials	9,766	46,011	55,777
Equipment	12,356	23,698	36,054
Printing, publications and postage	12,367	13,615	25,982
Insurance	1,497	18,825	20,322
In-kind:			
Labor	-	68,589	68,589
Materials	-	30,315	30,315
Food	-	51,777	51,777
Miscellaneous	17,206	101,537	118,743
Total expenses before allocation of indirect costs	272,277	3,245,698	3,517,975
Allocation of indirect costs	(243,548)	243,548	-
Total expenses	\$ 28,729	3,489,246	3,517,975

See notes to financial statements.

Sample Community Action Agency

Statement of Cash Flows

Year ended September 30, 2008

Cash flows from operating activities:	
Cash received from state agencies	\$ 2,760,060
Cash received from federal grantor	533,522
Contributions received	173,330
Interest received	25,157
Other receipts	13,862
Cash paid to employees and suppliers	(3,488,142)
	<hr/>
Net cash provided by operating activities	17,789
Cash and cash equivalents beginning of year	<hr/> 402,309
Cash and cash equivalents end of year	<hr/> <hr/> \$ 420,098
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 28,929
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) in accounts receivable	(4,300)
(Decrease) in accounts payable	(2,493)
(Decrease) in salaries payable	(4,347)
	<hr/>
Net cash provided by operating activities	<hr/> <hr/> \$ 17,789

See notes to financial statements.

Sample Community Action Agency

Notes to Financial Statements

September 30, 2008

(1) Summary of Significant Accounting Policies

A. Reporting Entity

Sample Community Action Agency, a not-for-profit corporation, is a community action agency that serves the Iowa counties of Alpha, Beta, Epsilon and Omega. Sample Community Action Agency is exempt from income tax under section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law which provide tax exemption for corporations organized and operated exclusively for religious, charitable or educational purposes.

Sample Community Action Agency administers various programs funded by federal, state and local governmental bodies. Each program is accounted for as a separate fund.

The Agency's financial statements are prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Financial Accounting Standards Board for non-profit corporations.

B. Fund Accounting

The accounts of the Agency are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, revenues and expenses. The various funds are summarized as follows in the financial statements:

Administrative Fund – The Administrative Fund represents funds derived from local sources such as donations, rents and miscellaneous activities. The Agency's overall management and administrative expenses are charged to this fund and then allowable indirect costs are allocated to the various programs which the Agency administers.

Program Funds – Program Funds are used to account for revenues and expenses contractually restricted by the funding source for specific purposes.

Plant Fund – The Plant Fund is used to accumulate the net investment in fixed assets and to account for the unexpended resources contributed specifically for the purpose of acquiring property and equipment for the Agency.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the funds and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

Purchases of property and equipment providing future benefits are recorded as expenses in the program at the time of purchase and capitalized in the plant fund.

D. Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

E. Assets, Liabilities and Net Assets

The following accounting policies are followed in preparing the statement of financial position:

Cash and Cash Equivalents – The Agency considers demand deposits and all other highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables from Grantor Agencies – Reimbursement procedures used for grants and contracts may result in timing differences between program reimbursements and expenses as of the beginning and end of the year. Receivables from grantor agencies represent an excess of expenses over cash basis reimbursements at year end.

Receivables/Payables from Other Funds – During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. To the extent certain transactions between funds had not been paid or received as of September 30, 2008, balances of interfund amounts receivable or payable have been recorded.

Inventory – Inventory is valued at the lower of cost or market. Cost is determined on the first-in, first-out basis. Inventories are recorded as expenses when consumed rather than when purchased.

Property and Equipment – Property and equipment are valued at historical cost. Donated assets are valued at their estimated fair value on the date of donation.

Property and equipment purchased are recorded as expenses in the fund purchasing the asset. The purchases are then capitalized in the plant fund accumulating the net investment in property and equipment. Depreciation has been provided in the plant fund using the straight-line method over the estimated useful lives of the respective assets, generally 3 to 40 years. The depreciated cost of the property and equipment does not purport to be either a realizable value or a replacement value.

Expenses for maintenance, repair and minor replacements are charged to the current year, while the cost for major replacements and betterments are capitalized. The cost of assets disposed of is deleted. No interest costs were capitalized since there were no qualifying assets.

Deferred Revenue – Deferred revenue represents an excess of cash advances by the funding source over accrued expenses at year end.

Compensated Absences – Employees of the Agency accumulate a limited amount of earned but unused vacation payable to employees. Amounts representing the cost of compensated absences are recorded as liabilities of the Administrative Fund. This liability has been computed based on rates of pay in effect at September 30, 2008.

F. In-Kind Contributions

The Agency recognizes donated labor, services, materials and rent-free usage of facilities and equipment as in-kind revenues at the time the services and materials are received. These in-kind contributions and the corresponding expense are valued at their estimated fair market value and recognized in the financial statements in accordance with grant requirements.

G. Cost Allocation

The Agency utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs which are common to more than one program have been identified and classified into cost pools. These cost pools have been allocated to the programs based on formulas developed by the Agency for each pool.

H. Total Column

The total column on the statement of financial position and the statement of activities is presented to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation.

(2) Property and Equipment

A summary of property and equipment comprising the plant fund, categorized by acquiring program/source, is as follows at September 30, 2008:

Acquiring Program/Source	Buildings	Vehicles	Equipment	Total
Community Services Block Grant	\$ -	-	1,695	1,695
Head Start	-	66,309	40,670	106,979
Weatherization Assistance for Low-Income Persons	-	20,980	15,400	36,380
Women, Infants and Children	-	-	7,985	7,985
General Agency	42,821	-	13,407	56,228
Total cost	42,821	87,289	79,157	209,267
Less accumulated depreciation	3,942	77,687	62,853	144,482
Net	\$ 38,879	9,602	16,304	64,785

The components of the Agency's accumulated depreciation at September 30, 2008 are as follows:

Acquiring Program/Source	Buildings	Vehicles	Equipment	Total
Balance beginning of year	\$ 1,688	64,884	59,952	126,524
Current year depreciation	2,254	12,803	8,909	23,966
Disposal of fully depreciated asset	-	-	(6,008)	(6,008)
Balance end of year	\$ 3,942	77,687	62,853	144,482

(3) Pension and Retirement Benefits

The Agency maintains a defined contribution retirement plan authorized by the Agency's by-laws which is administered by XYZ Insurance Company. The plan is available to all employees who have completed one and one-half years of service.

Under the terms of the plan, the Agency contributes an amount equal to 6% of the annual salary for each employee participating in the plan. Additionally, each plan participant must contribute 3% of their annual salary and all such payments are accumulated and invested for individual participants of the plan. Amounts credited to individual participants are 100% vested immediately. The accumulated monies are paid upon a participant's retirement or termination.

For the year ended September 30, 2008, the Agency's required and actual contributions were \$37,998, which is 6% of its current year covered payroll of \$633,301. Employees' required and actual contributions were \$18,999, which is 3% of the Agency's current year covered payroll. The Agency's total current year payroll for all employees was \$703,668.

(4) Risk Management

Sample Community Action Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Supplementary Information

Sample Community Action Agency
Schedule of Financial Position - Program Funds
September 30, 2008

	Community Services Block Grant	Low-Income Home Energy Assistance Program	Head Start
Assets			
Cash and cash equivalents	\$ 32,634	4,161	65,143
Receivables:			
Grantor agencies	-	51,650	-
Other sources	39	796	486
Other funds	4,668	-	-
Inventory	-	-	-
Total assets	\$ 37,341	56,607	65,629
Liabilities and Net Assets			
Liabilities:			
Payables:			
Accounts	\$ 5,420	51,728	7,905
Grantor agencies	-	-	587
Salaries and benefits	18,995	3,836	17,278
Other funds	-	1,043	4,873
Deferred revenue	12,926	-	34,986
Total liabilities	37,341	56,607	65,629
Net assets	-	-	-
Total liabilities and net assets	\$ 37,341	56,607	65,629

See accompanying independent auditor's report.

Weatherization Assistance for Low-Income Persons	Child and Adult Care Food Program	Special Supplemental Nutrition Program For Women, Infants and Children	Interfund Elimination	Total
78,832	(9,389)	1,072	-	172,453
-	43,450	12,996	-	108,096
-	-	-	-	1,321
-	3,557	-	(8,225)	-
21,644	-	-	-	21,644
100,476	37,618	14,068	(8,225)	303,514
23,628	36,530	1,756	-	126,967
6,338	-	-	-	6,925
3,247	1,088	3,504	-	47,948
2,580	-	8,808	(8,225)	9,079
64,683	-	-	-	112,595
100,476	37,618	14,068	(8,225)	303,514
-	-	-	-	-
100,476	37,618	14,068	(8,225)	303,514

Sample Community Action Agency
Schedule of Activities - Program Funds
Year ended September 30, 2008

	Community Services Block Grant	Low-Income Home Energy Assistance Program	Head Start
Revenues:			
Governmental funding sources:			
Iowa Department of Human Rights	\$ 309,522	1,611,985	-
U.S. Department of Health and Human Services	-	-	532,522
Iowa Department of Public Health	-	-	-
Iowa Department of Education	-	-	-
In-kind contributions	-	-	150,681
Miscellaneous	-	-	3,945
Total revenues	309,522	1,611,985	687,148
Expenses:			
Salaries	93,577	71,559	148,622
Benefits and taxes	19,494	12,805	33,563
Assistance to individuals	-	1,457,421	-
Professional fees and contractual services	56,399	-	50,067
Travel	8,334	1,331	10,709
Occupancy	13,065	12,291	102,530
Utilities and telephone	4,562	3,993	6,933
Supplies and materials	4,059	3,675	29,769
Equipment	5,861	410	2,737
Printing, publications and postage	6,814	4,704	-
Insurance	315	660	9,129
In-kind:			
Labor	-	-	68,589
Materials	-	-	30,315
Food	-	-	51,777
Miscellaneous	5,610	2,441	79,914
Total expenses before allocation of indirect costs	218,090	1,571,290	624,654
Allocation of indirect costs	91,432	40,695	62,494
Total expenses	309,522	1,611,985	687,148
Change in net assets	-	-	-
Net assets beginning of year	-	-	-
Net assets end of year	\$ -	-	-

See accompanying independent auditor's report.

Weatherization Assistance for Low-Income Persons	Child and Adult Care Food Program	Special Supplemental Nutrition Program For Women, Infants and Children	Interfund Elimination	Total
493,270	-	-	20,000	2,434,777
-	-	-	-	532,522
-	-	155,952	-	155,952
-	211,304	-	-	211,304
-	-	-	-	150,681
-	65	-	-	4,010
493,270	211,369	155,952	20,000	3,489,246
137,613	16,513	82,567	-	550,451
33,552	6,949	19,028	-	125,391
196,321	175,751	-	20,000	1,849,493
57,713	-	9,551	-	173,730
1,480	1,691	12,551	-	36,096
-	1,480	6,425	-	135,791
1,973	1,057	1,861	-	20,379
3,946	3,171	1,391	-	46,011
14,304	-	386	-	23,698
-	-	2,097	-	13,615
7,399	106	1,216	-	18,825
-	-	-	-	-
-	-	-	-	68,589
-	-	-	-	30,315
-	-	-	-	51,777
10,853	846	1,873	-	101,537
465,154	207,564	138,946	20,000	3,245,698
28,116	3,805	17,006	-	243,548
493,270	211,369	155,952	20,000	3,489,246
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

Schedule 3

Sample Community Action Agency
Schedule of Expenditures of Federal Awards
Year ended September 30, 2008

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Health and Human Services:			
Head Start	93.600	08CH 6020(33)	\$ 202,358
Head Start	93.600	08CH 6020(35)	330,164
Total direct			<u>532,522</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	5887A048	<u>155,952</u>
Iowa Department of Education:			
Child and Adult Care Food Program	10.558	85-9012	<u>211,304</u>
U.S. Department of Energy:			
Iowa Department of Human Rights:			
Weatherization Assistance for Low-Income Persons	81.042	DOE-08-17	263,702
Weatherization Assistance for Low-Income Persons	81.042	DOE-07-17	2,664
			<u>266,366</u>
U.S. Department of Health and Human Services:			
Iowa Department of Human Rights:			
Temporary Assistance for Needy Families	93.558	FaDSS-08-07-FM	20,000
Low-Income Home Energy Assistance	93.568	HEAP-07-17-00	1,385,081
Low-Income Home Energy Assistance	93.568	HEAP-08-17-01	226,904
			<u>1,611,985</u>
Community Services Block Grant	93.569	CSBG-08-09	<u>309,522</u>
Total indirect			<u>2,575,129</u>
Total			<u>\$ 3,107,651</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Sample Community Action Agency and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A 133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
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**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Directors of
Sample Community Action Agency:

We have audited the financial statements of Sample Community Action Agency, Anywhere, Iowa, as of and for the year ended September 30, 2008, and have issued our report thereon dated November 17, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Sample Community Action Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Sample Community Action Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Sample Community Action Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Sample Community Action Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Sample Community Action Agency's financial statements that is more than inconsequential will not be prevented or detected by Sample Community Action Agency's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Sample Community Action Agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses.

However, of the significant deficiencies described above, we believe items II-A-08 and II-D-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Agency's operations for the year ended September 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sample Community Action Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Agency's responses, we did not audit Sample Community Action Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of Sample Community Action Agency and other parties to whom Sample Community Action Agency may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Sample Community Action Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

November 17, 2008

**Independent Auditor's Report on
Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

Sample Community Action Agency



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Directors of
Sample Community Action Agency:

Compliance

We have audited the compliance of Sample Community Action Agency, Anywhere, Iowa, with the types of compliance requirements described in U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2008. The Agency's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on compliance with those requirements.

In our opinion, Sample Community Action Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items III-A-08 and III-B-08.

Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Sample Community Action Agency's internal control over

compliance. Accordingly, we do not express an opinion on the effectiveness of Sample Community Action Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Agency's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the Agency's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the Agency's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Agency's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-08 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Agency's internal control. The significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-08 is considered to be a material weakness.

Sample Community Action Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Agency's responses, we did not audit Sample Community Action Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of Sample Community Action Agency and other parties to whom Sample Community Action Agency may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA
Auditor of State

November 17, 2008

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2008

Part I: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which is considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 93.568 – Low-Income Home Energy Assistance
 - CFDA Number 93.569 – Community Services Block Grant
 - CFDA Number 93.600 – Head Start
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Sample Community Action Agency did not qualify as a low-risk auditee.

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2008

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Agency should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Duties will be distributed appropriately among office employees. We plan to implement the changes by November 30, 2008.

Conclusion – Response accepted.

II-B-08 Inventory Reconciliation – The Agency did not prepare a monthly reconciliation of inventory.

Recommendation – Control over inventory would be strengthened if a monthly reconciliation between book inventory and physical inventory were performed. All variances should be investigated and resolved in a timely manner.

Response – A reconciliation will be performed monthly. We plan to implement this procedure by November 30, 2008.

Conclusion – Response accepted.

II-C-08 Property and Equipment – Equipment is occasionally moved from one location to another without following the established procedures to inform the property officer.

Recommendation – Before equipment is moved, written authorization should be obtained from the property officer.

Response – We will enforce authorization before equipment is transferred to another location. We will implement this procedure by November 30, 2008.

Conclusion – Response accepted.

Sample Community Action Agency

Schedule of Findings and Questioned Costs

Year ended September 30, 2008

II-D-08 Financial Reporting – During the audit, we identified material amounts of receivables and payables not recorded in the Agency’s financial statements. Adjustments were subsequently made by the Agency to properly include these amounts in the financial statements.

Recommendation – The Agency should implement procedures to ensure all receivables and payables are identified and included in the Agency’s financial statements.

Response – We will double check these in the future to avoid missing any receivables or payables.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2008

Part III: Findings and Questioned Cost for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

CFDA Number 93.568 – Low-Income Home Energy Assistance
Pass-through Numbers: HEAP-07-17-00 and HEAP-08-17-01
Federal Award Year: 2007 and 2008
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Rights

CFDA Number 93.600 – Head Start
Agency Numbers: 08CH 6020(33) and 08CH 6020(35)
Federal Award Years: 2007 and 2008
U.S. Department of Health and Human Services

III-A-08 Cost Allocation – In determining the unit costs for the various expenses for the cost allocation plan, the Agency includes an amount for utilities. The Agency received a refund from one of the utility companies for \$11,200, which was not included as a reduction of the costs to be allocated.

According to OMB Circular A-122, Cost Principles for Non-profit Organizations, costs charged to a federal program should be net of all applicable credits.

Recommendation – The Agency should revise its procedures to ensure costs are net of all applicable credits. In addition, appropriate refunds or adjustments should be made to comply with the regulations.

Response and Corrective Action Planned – This was an oversight. We plan to revise our procedures by November 30, 2008, and appropriate refunds or adjustments will be made.

Conclusion – Response accepted.

CFDA Number 93.569 – Community Services Block Grant
Pass-through Number: CSBG-08-09
Federal Award Year: 2008
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Rights

III-B-08 Lobbying – The Agency contributed \$12,350 in Community Services Block Grant (CSBG) funds to a national political action committee.

In accordance with OMB Circular A-122, Cost Principles for Non-profit Organizations, contributing to or paying the expenses of a political action committee are not allowable.

Recommendation – The Agency should seek reimbursement of the unallowable contributions and should discontinue use of CSBG funds for lobbying purposes in accordance with regulations.

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2008

Response and Corrective Action Planned – We will seek reimbursement by January 1 and will discontinue such payments in the future.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 93.568 – Low-Income Home Energy Assistance
Pass-through Numbers: HEAP-07-17-00 and HEAP-08-17-01
Federal Award Year: 2007 and 2008
U.S. Department of Health and Human Services
Passed through the Iowa Department of Human Rights

CFDA Number 93.600 – Head Start
Agency Numbers: 08CH 6020(33) and 08CH 6020(35)
Federal Award Years: 2007 and 2008
U.S. Department of Health and Human Services

III-C-08 Segregation of Duties over Federal Revenues – The Agency did not properly segregate custody, record-keeping and reconciling functions for revenues, including those related to federal programs. See item II-A-08.

Sample Community Action Agency
Schedule of Findings and Questioned Costs
Year ended September 30, 2008

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-08 Questionable Expenditures – Certain expenditures were noted we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Local Flower Shop	Flower arrangements for gift	\$ 332
Local Quick Shop	Pop and food for Agency employees	239

Recommendation – According to the opinion, it is possible for certain expenditures to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

The Board of Directors should determine and document the public purpose served by these expenditures before authorizing any further payments. If this practice is continued, the Agency should establish written policies and procedures, including requirements for proper documentation.

Response – We will document this in the future.

Conclusion – Response accepted.

- IV-B-08 Deposit and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Agency's investment policy were noted, except as follows:

A resolution naming official depositories has not been adopted by the Agency.

Recommendation – A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted in accordance with Chapter 12C of the Code of Iowa.

Response – A resolution naming official depositories with sufficient amounts was adopted by the Agency on October 15, 2008 and will be reviewed by the Agency annually.

Conclusion – Response accepted.

Sample Community Action Agency

Staff

This audit was performed by:

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Margo Setter, CPA, Senior Auditor
Jerome Warning, CPA, Senior Auditor
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